

Message Text

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PAGE 01 ISLAMA 07199 241205Z
ACTION EB-08

INFO OCT-01 EA-12 NEA-10 ISO-00 COME-00 TRSE-00 AID-05
CIAE-00 FRB-01 INR-10 NSAE-00 ICA-20 XMB-04
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FM AMEMBASSY ISLAMABAD
TO SECSTATE WASHDC 8304
INFO AMEMBASSY BANGKOK
AMEMBASSY CANBERRA
AMEMBASSY COLOMBO
AMEMBASSY DACCA
AMEMBASSY KABUL
AMEMBASSY KATHMANDU
AMEMBASSY KUALA LUMPUR
AMEMBASSY MANILA
AMEMBASSY NEW DELHI
AMEMBASSY PORT MORESBY
AMEMBASSY RANGOON
AMEMBASSY SEOUL
AMEMBASSY SINGAPORE
AMEMBASSY SUVA
AMEMBASSY TAIPEI
AMEMBASSY TOKYO
AMEMBASSY VIENTIANE
AMEMBASSY WELLINGTON

UNCLAS ISLAMABAD 7199

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SUBJ: US PROCUREMENT FROM ASIAN DEVELOPMENT BANK

REF: STATE 155300

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1. OUR EXPERIENCE WITH US PROCUREMENT IN ADB PROJECTS
REFLECTS THAT OF OTHER ASIAN POSTS. THE US IS ACTIVE IN
THE CONSULTING STAGE BUT LAGGING IN THE EQUIPMENT PROCUREMENT
STAGE. THE REASONS ARE A LACK OF INTEREST BY US FIRMS, IN
PAKISTAN GENERALLY, AND SPECIFICALLY A LACK OF
KNOWLEDGE OF THE ADB, A MORE AGGRESSIVE POSTURE ON
THE PART OF OTHER COUNTRIES, NOTABLY JAPAN, AND A

BILATERAL COMPONENT IN LARGE PROJECTS OFTEN TIED TO EQUIPMENT PURCHASES.

2. AMERICAN FIRMS ARE NOT VERY INTERESTED IN THE PAKISTANI MARKET. ITS SMALL SIZE, IMPORT LICENSE REGIME AND GENERAL RED TAPE DELAYS, MAKE IT UNATTRACTIVE TO MOST US FIRMS. THE FIRMS WITH THE BEST REPRESENTATION HERE, E.G. BANKS, ESSO FERTILIZER AND PHARMACEUTICAL COMPANIES, ARE NOT THOSE WHO WOULD BE IN A POSITION TO BID ON ADB PROJECTS. OTHER COUNTRIES, NOTABLY THE JAPANESE, ARE HERE OFTEN, AND AGGRESSIVELY SEEK TO EXPAND THEIR SHARES IN PAKISTAN MARKETS INCLUDING PROJECTS FINANCED BY ADB.

3. A SIGNIFICANT PERCENTAGE OF ADB LENDING TO PAKISTAN IS FOR PAKISTANI INDUSTRIAL DEVELOPMENT BANKS. THESE BANKS RECEIVE A LUMP SUM FROM ADB AND DOLE IT OUT TO PAKISTANIS HAVING WORTHWHILE PROJECTS. THE BORROWERS GENERALLY HAVE THEIR SUPPLIERS LINED UP BEFORE APPLYING FOR A LOAN. THIS IS A SETUP WHICH US FIRMS CANNOT BREAK INTO UNLESS THEY HAVE A MAN ON THE SPOT, AND NOT MANY SEE ENOUGH RETURNS TO JUSTIFY AN OFFICE IN PAKISTAN.

4. OTHER ADB LENDING IN PAKISTAN IS OFTEN PART OF A LARGER FINANCING PACKAGE INVOLVING THE WORLD BANK AND BILATERAL UNCLASSIFIED

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LENDERS WHO TIE THEIR AID TO EQUIPMENT AN ADB COMPONENT IS ELECTRICAL POWER GENERATION AT TARBELA DAM. A US FIRM, DILLINGHAM, SUCCESSFULLY COMPETED FOR THE ADB-FINANCED CIVIL WORKS PORTION OF THE PROJECT BUT THREE TURBINE GENERATORS ARE TO BE PROCURED IN CANADA AS A RESULT OF A TIED CANADIAN LOAN FOR THAT PURPOSE. GIVEN AID'S MANDATE, WHICH PROHIBITS INFRASTRUCTURE FUNDING, US FIRMS ARE AT A DISADVANTAGE VIA-A-VIS OTHER COUNTRIES WHOSE AID LENDING IS NOT SO CONSTRAINED.

5. IT SEEMS TO US THAT A TWO PRONGED EFFORT MUST BE MADE IF THE US IS TO INCREASE ITS SHARE OF EQUIPMENT PROCUREMENT FOR ADB PROJECTS. FIRST US FIRMS MUST BE EDUCATED AS TO THE PROCEDURES OF THE ADB IN APPROVING PROJECTS, PROCEDURES FOR FUNDING, TYPES OF EQUIPMENT USUALLY NEEDED AND TERMS OF FINANCING AVAILABLE. SECONDLY, USADB IN MANILA AND ALL OTHER ASIAN POSTS SHOULD BE ALERT TO ANY PROJECTS COMING UP WHICH ARE MENTIONED IN THE VARIOUS INTERNAL ADB DOCUMENTS WE RECEIVE AND THOUGHT SHOULD BE GIVEN TO THE MOST EFFECTIVE MEANS OF TRANSFERRING THIS INFORMATION TO

INTERESTED US FIRMS.

HUMMEL

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